# REPORT ON ENGROSSED SUBSTITUTE HOUSE BILL 2522

### **APPENDIX D**

### Introduction

reaffirmed earlier legislation directing the Department of General Administration (GA) and state agencies to purchase "clean fuel" vehicles, and added language to incorporate high gas mileage vehicles into the procurement specifications. HB 2522 also directed GA and state agencies to investigate opportunities for aggregate purchasing of said vehicles. The bill passed after the Model Year (MY) 2002 vehicle contract was already in use.<sup>1</sup>

## Background

↑ s the agency responsible for purchasing vehicles for state agencies, GA awards and administers model year light vehicle contracts each year. (Medium and heavy-duty trucks and specialized equipment are purchased on separately bid individual purchase orders for customers.) Awards are based on size classifications of vehicles and only one manufacturer's vehicle from one dealer is awarded each classification. Besides state dealer licensing requirements and equipment specification compliance, award criteria include consideration of base bid price, option pricing, prompt payment discounts, local sales tax differentials, fuel economy, emissions, and residual value.

## Current Washington State Clean Fuel Vehicle Specifications

RCW 43.19.637 requires that at least 75 percent of 2002 MY vehicles purchased through a state contract be "clean fuel" vehicles (CFVs). The state Department of Ecology has defined "clean fuel" vehicles as vehicles that, as equipped, have emission level certification eligible for registration in all 50 states, or are federally certified to the Clean Fuel Fleet program. Police vehicles and vehicles rated at over 8500 lbs. GVWR are exempt. Vehicle bidders need to indicate whether vehicles bid are 50 state certified, or are federally certified clean fuel fleet vehicles.

For model year 2003, the CFV standard percentage increases from 75 to 80 percent. GA did include an additional bid condition regarding vehicle fuel economy in response to Engrossed Substitute House Bill 2522.

The new bid language is as follows:

#### **High MPG Vehicles**

Besides the purchase of clean fuel vehicles, recently enacted engrossed substitute House Bill 2522 requires the state to seek opportunities to consolidate state and local purchases of high gas mileage vehicles. As part of the implementation of the act this year we have deleted and added some vehicle classifications. Because of relative low MPG we have deleted the carryall (4X4). Cargo Maxi-Van, and 15 Passenger Vans as separate classifications. In turn, we have added three high MPG classifications: High MPG Hybrid compact, High Roof/High MPG Cargo Van, High Roof/High MPG Passenger Van. These vehicle classifications have minimum MPG requirements. We also continue to factor fuel costs in the award of non-police autos and vehicles under 8500 # GVWR.

Finally, the state vehicle contract also establishes bid categories for vehicles that meet the National Energy Policy Act of 1992 requirements for alternative fuel vehicles. The federal regulations require the purchase of

<sup>&</sup>lt;sup>1</sup> ESHB 2522, Sec. 5. In preparing the biennial energy report required under RCW 43.21F.045(2)(h) to be transmitted to the governor and the legislature by December 1, 2002, the department of community, trade, and economic development must include the following information: (1) The percentage of clean-fuel vehicles purchased in 2001 through a state contract pursuant to RCW 43.19.637; and (2) The results of efforts by the department of general administration and other state agencies to aggregate purchasing of clean technologies.

alternate fuel vehicles by some centrally fueled state agency fleets.

## Percentage of vehicles meeting "clean fuel" requirements

The MY 2002 contract had approximately 40 vehicles on contract; 22 of these categories were subject to the "clean fuel" vehicle requirement. During MY 2002, state agencies, colleges and universities purchased a total of 1244 vehicles. Of this amount, 480 vehicles were exempt from the CFV specification. Of the remaining 764 vehicles. 651 vehicles, or 85 percent, met the current CFV specification. During this same period, the state purchased 31 (four percent) hybridelectric cars, and 306 (40 percent) flex-fueled E-85 vehicles. The latter cars qualify under the National Energy Policy Act (EPAct) alternative fuel vehicle purchase mandate. However, the total number of alternative fuel cars purchased by state agencies fell short of the federal mandate for MY 2002. For MY 2002, EPAct requires 75 percent of new light duty vehicles purchases made by covered state fleets be alternative fueled.

The MY 2003 vehicle purchase contract just opened. As a result, the percentage of vehicles meeting the 2003 CFV definition cannot yet be determined but is expected to meet the prescribed 80 percent goal. The new MY 2003 high MPG vehicle specification removes three vehicle classifications which historically exhibit low MPG, and added three higher MPG vehicle classifications. Again, purchasing is still open so the impact of these changes cannot yet be determined.

#### Discussion

<u>CFV standard</u>: The General Administration, in consultation with the Department of Ecology, plans to review the current "clean fuel" vehicle definition prior to setting the MY 2004 vehicle bid specifications. There is general agreement that the current CFV specification is fairly relaxed and can be met without much difficulty. Possible alternatives to the current standard include EPA's Green Vehicle Guide or the Green Guide to Cars and Trucks published by the American Council for an Energy Efficient Economy (ACEEE). Both of these guides use emission levels and fuel

economy ratings to establish a ranking system. Another alternative, which may be considered, is California's Low Emission Vehicle (LEV) standards.

Any of these "standards" would be considerably more aggressive than the current CFV specification. As a result, a new standard could dramatically affect the purchasing patterns of state agencies. For example, GA did a preliminary calculation of MY 2002 bid categories using the ACEEE guide. If a minimum three-star standard was adopted (out of a total of five stars), only 9 of the 22 vehicle categories would have qualified. In addition, vehicle procurement costs would be expected to increase for at least some of the bid categories.

As the procurement arm for state agencies, GA is sensitive to any fiscal or mission impacts that an aggressive CFV specification could cause. Therefore, direction from the legislature may be required if a new, more aggressive CFV specification is proposed. For example, the Toyota Prius hybrid is again available on the MY 2003 contract for voluntary purchase. While it achieves the goal of high fuel economy and low emissions. it has a substantial upcharge of \$8,700 over the comparably sized Chevrolet Cavalier sedan on contract, and \$5,100 over the larger Ford Taurus flexible fuel vehicle. At the current \$1.30 per gallon gas price GA uses to compare vehicle lifecycle costs, it would take over 300,000 miles to recover the incremental costs of the Prius over the Cavalier, and 120,000 miles for the Taurus FFV.

High MPG improvements: In response to HB 2522, GA did include fuel economy changes to the MY 2003 vehicle bid specifications. These changes include the following:

- ◆ Eliminated the fuel inefficient carryall 4x4 classification (Excursion, Suburban) from state vehicle contracts. Eliminated separate categories for maxi vans, making them only available as an up-charge option off smaller, more fuel-efficient vans.
- Established three separate categories for high MPG hybrid sedans, cargo and passenger vans. Awarded vehicles include the Toyota Prius and Freightliner Sprinter vans. The Prius attains city MPG in excess of 50 MPG. The Sprinter vans, powered by

- a diesel engine, attain a fuel economy of 20 MPG
- Established a new small utility vehicle 4x4 category with a four-cylinder engine. The awarded vehicle is the Chevrolet Tracker, which attains 22 MPG city, 25 highway.
- Lowered engine displacement requirements on some vehicle bid categories.
- Clearly show city/hwy MPG, emission certification level, and mercury content of each vehicle on contract.
- After the expiration of the MY 2003 contract next spring, will promote and conduct PO bids for other hybrid and/or high MPG vehicles specifically requisitioned by customers.
- Continue to track the development and availability of new hybrid type vehicles (Honda Civic, Ford Escape, Dodge Dakota, etc.) in order to have contracts in place for future customer selection.

GA also continues to award contracts on the basis of life cycle costing and factors not only the bid price but also option pricing, fuel economy, and residual value. For fuel economy on light vehicles, GA calculates the cost of fuel for 75,000 miles using EPA published city MPG at a current figure of \$1.30 per gallon.

Aggregate purchasing: HB 2522 directs GA and state agencies to investigate aggregate purchasing. Currently, Washington state agencies, colleges, universities, and institutions are automatically eligible to purchase vehicles on state contract. Political subdivisions of the state of Washington who are members of the state purchasing co-op are also eligible to purchase on state contract.

Qualified co-op member non-profit corporations within the state may also be eligible to purchase. In addition, through a cooperative agreement between the states, Oregon political subdivisions that are members of their purchasing co-op may also purchase on Washington's contract.

The Toyota Prius is an example of the aggregate purchasing power of the state contract. GA was able to secure a favorable

bid price for the Prius (\$500 -\$1000 lower than other contracted prices) and has sold 174 Prius to state agencies and political subdivisions through MY 2002. Washington was the first state in the U.S. to contract for the Prius, and had the third highest volume of sales in the country behind New York and California.

GA has also been working with the Western States Contracting Alliance to explore joint contracting with seventeen western states. A preliminary survey of participant states was conducted to gauge interest in procuring the electric hybrid Toyota Prius. The survey indicated that there wasn't sufficient interest, citing Buy American preferences, different equipment specifications, budgetary constraints and most importantly, varying dealer licensing requirements, as obstacles to the purchase.